

## Message Text

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72

ORIGIN AGR-20

INFO OCT-01 NEA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 /151 R

66603

DRAFTED BY: EMS/USDA HIDUNKLEBERGER

APPROVED BY: NEA/IRN:JCMIKLOS

AGRIC/EMS/AMEAD

AGRIC/EMS/CPENCE(DRAFT)

AGRIC/EMS/CGOLDSBOROUGH(IN DRAFT)

AGRIC/ERS/EFARSTAD(IN DRAFT)

AGRIC/FAS/GWANAMAKER(IN DRAFT)

AGRIC/ASCS/FI/TBECKER

AGRIC/EMS/JHUDGINS

AGRIC/OGC/RBOR(IN DRAFT)

AGRIC /FAS/NPETTIPAW(IN DRAFT)

AGRIC/AMS/JO'BRATE(IN SUB)

AID/WJENNETTE(INFO)

STATE/BMORTON

----- 090355

R 251707Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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FOR AGRICULTURAL ATTACHE

E.O. 11652: N/A

TAGS: ETRN, IR

SUBJ: BANDAR SHAHPOUR SILO PROJECT

REF: TEHRAN 5008

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1. FOLLOWING ARE USDA VIEWS AND CONCLUSIONS RE FACTORS LISTED  
PARA 2 REFTEL:

A. INDICATED 6-12 MONTHS FOR REVISING PLANS SEEMS EXCESSIVELY LONG. USDA OBVIOUSLY UNABLE ASSESS NONTECHNICAL FACTORS IN IRANIAN SITUATION WHICH MAY BE BASIS FOR SUCH EXTENDED PERIOD. REVISING DETAILED PLANS SHOULD REQUIRE MAXIMUM SIX WEEKS ACCORDING U.S. ENGINEERING FIRM WHICH USDA REQUESTED REVIEW TECHNOLOG PRELIMINARY ENGINEERING REPORT AND WHICH DESIGNED SUBSTANTIALLY LARGER CAPACITY PORT ELEVATOR STORAGE AND BERTHING FACILITIES IN INCHON, KOREA BEING FINANCED UNDER P.L. 480 PRIVATE TRADE AGREE-  
MENT PROGRAM. U.S. FIRM ADVISES PNEUMATIC EQUIPMENT MANUFACT-  
URERS RATHER THAN ENGINEERING FIRM NORMALLY RESPONSIBLE DETAILED EQUIPMENT DESIGN BASED ON DISCHARGE RATE AND OTHER SPECIFICATIONS FURNISHED THEM. IN VIEW THIS INDEPENDENT ASSESSMENT, USDA BELIEVES TIME REQUIRED REVISE DETAILED PLANS NOT REPEAT NOT ACCEPTABLE BASIS FOR COMMITTING \$20 MILLION FOR FACILITY WHICH WILL NOT REPEAT NOT PRODUCE MAXIMUM EFFICIENCIES AND ECONOMIES AND SUCH CONCLUSION IS VALID IRRESPECTIVE WHETHER PTA 10 OR OTHER FUNDS INVOLVED.

B. USDA WILLING ACCEPT MIN FINANCE PLANS OUTLINED PARA 2 B  
RE DEFERMENT ADDITIONAL CAPACITIES.

C. IN OPINION SAME U.S. ENGINEERING FIRM MENTIONED PARA 1 A ABOVE, MAINTENANCE AND TRAINING OPERATING PERSONNEL PRESENT MORE PROBLEMS IN MARINE LEG THAN IN PNEUMATIC OPERATION. MARINE LEG EQUIPMENT INVOLVES GREAT DEAL MORE MOVING PARTS, PIVOT POINTS, AND ARTICULATED BOOMS TO MANEUVER THAN SIMPLE POSITIONING PNEUMATIC TUBES OVER HATCH AND ALSO IT SUBJECT MORE DAMAGE WHILE HANGING ABOARD SHIP BOTH FROM IMPROPER OPERATION AND FROM FOREIGN MATERIAL GETTING INTO ELEVATOR. IN ANY EVENT, SINCE ENGINEERING CONTRACT CAN PROVIDE NECESSARY TECHNICAL TRAINING OPERATIONAL AND MAINTENANCE PERSONNEL UNDER EITHER SYSTEM QUESTION MAINTENANCE TECHNOLOGY DOES NOT REPEAT NOT APPEAR BE SOUND BASIS FOR REJECTING PNEUMATIC SYSTEM. PROVIDING ADDITIONAL VACUATOR EQUIPMENT AS INDICATED MIN FIN IS NOT REPEAT NOT SUBSTITUTE FOR PNEUMATIC SYSTEM. IN FACT SUCH SUPPLEMENTARY PNEUMATIC EQUIPMENT BASICALLY REQUIRED COMPLETE DISCHARGE AND CLEANUP OF SHIPS UNDER MARINE LEG OPERATION.

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D. IN VIEW SUBSTANTIAL AND SUCCESSFUL TANKER USE IN INTERNATIONAL AGRICULTURAL COMMODITY TRADE, USDA UNABLE UNDERSTAND BASIS FOR MIN AG POSITION RE POSSIBLE CONTAMINATION. IN FACT, SS SASSAN, IRANIAN TANKER JOINTLY OWNED BY BEHSHAHR AND PARS COMPANIES, HAS BEEN CARRYING IRANIAN CRUDE PETROLEUM TO U.S. AND OTHER DESTINATIONS WITH EDIBLE SOYBEAN OIL AND OTHER VEGETABLE OILS FOR USE IN MANUFACTURING IRANIAN SHORTENING AS RETURN LEG

CARGO. SAME TANKER ALSO HAS BEEN CARRYING TALLOW AS RETURN  
LEG CARGO AND IS CURRENTLY LOADING VEG OIL EX GULF AFTER DIS-  
CHARGING CRUDE PETROLEUM CARGO. ACCORDING BEHSHAHR NEW YORK  
RE KAIHANI, COMMERCIAL SHIPMENTS U.S. VEGETABLE OIL ON SS SASSAN  
OR OTHER TANKERS REQUIRE INSPECTION SHIP TANKS BY USDA AND COMMER-  
CIAL SURVEYOR TO ASSURE THEY CLEANED AND ACCEPTABLE FOR PUR-  
POSES VEGETABLE OIL SHIPMENT AND NO CONTAMINATION PROBLEMS HAVE  
APPARENTLY ARISEN IN CONNECTION SUCH SHIPMENT. GRAIN EXPORTS  
UNDER CONTRACTS BASED ON U.S. GRADES REQUIRE AGRICULTURAL MARKETING  
SERVICE, USDA INSPECTION CERTIFICATES WHICH NOT ISSUED UNLESS  
VESSEL PASSES INSPECTION PRIOR START LOADING OF GRAINS. USDA  
AWARE VEG OIL CURRENTLY BEING IMPORTED THROUGH KHORRAMSHAHR  
ON COMMERCIAL BASIS PURSUANT MIN ECON LICENSES WHEREAS WHEAT  
AND OTHER GRAINS MOSTLY IMPORTED THROUGH BANDAR SHAHPOUR.  
HOWEVER, WITH ACCELERATING IRANIAN POULTRY AND LIVESTOCK PRODUCTION,  
IRANIAN PROCESSORS WHO ALREADY EQUIPPED FOR SOYBEAN PROCESSING,  
CAN BE EXPECTED SHIFT IMPORTING SOYBEANS AS SOURCE BOTH VEG OIL  
AND SOYBEAN MEAL WHICH NEEDED MEET EXPANDING POULTRY AND LIVESTOCK  
FEED REQUIREMENTS. FORECLOSING OPTION FOR PROCESSORS AND OTHER  
PRIVATE SECTOR IMPORTERS TANKERS WOULD PRECLUDE POSSIBILITY LOWER  
OCEAN FREIGHT COSTS AND IN TURN COSTS VEGETABLE OIL, POULTRY  
AND LIVESTOCK FEED, MEATS, AND OTHER END PRODUCTS. BELIEVE USDA  
LIVESTOCK PROGRAM ADVISORS WOULD CONFIRM TO MIN AG AND OTHER  
IRANIAN AGENCIES CONCERNED WITH ASSURING MAXIMUM EFFICIENCIES  
AND ECONOMIES AT ALL STAGES AGRICULTURAL COMMODITY SUPPLY AND  
PROCESSING LINES THAT, IRRESPECTIVE WHETHER PTA 10 OR OTHER  
SOURCES FINANCING USED FINANCE BANDAR SHAHPOUR FACILITIES,  
DECISION EXCLUDE POSSIBILITY TANKER USE SHOULD BE EVALUATED FROM  
STANDPOINT EFFECT ON ULTIMATE COSTS END PRODUCTS PRODUCED FROM  
IMPORTED COMMODITIES.

2. FOLLOWING ARE ADDITIONAL FACTORS CONSIDERED BY USDA IN  
EVALUATING IRANIAN POSITIONS AND AMEMBASSY TEHRAN RECOMMENDATIONS  
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CONTAINED REFTEL.

A. AS NEW ADFI DIRECTOR SAMII WELL AWARE, SINCE 1965 USDA HAS  
REPEATEDLY URGED USE SALES PROCEEDS UNDER BOTH P.L. 480  
GOVERNMENT-TO-GOVERNMENT AND PRIVATE TRADE AGREEMENTS FOR PORT  
GRAIN FACILITIES AS ESSENTIAL ELEMENT IRANIAN EFFORTS MEET  
EXPANDING FOOD AND FEED GRAIN IMPORT REQUIREMENTS. IN ACCORDANCE  
P.L. 480 PRIVATE TRADE AGREEMENT PROGRAM POLICY LIMITING USE  
SALES PROCEEDS TO PRIVATE ENTERPRISE PROJECTS, CCC DISCUSSIONS  
RE USE PTA 10 FUNDS FOR PORT ELEVATOR FACILITIES WERE BASED ON  
OMRAN OR OMRAN/US JOINT VENTURE PRIVATE ENTITY UNDERTAKING  
CONSTRUCT AND HOLD TITLE TO FACILITY, AT LEAST DURING PERIOD  
PTA 10 LOAN REPAYMENT, CONTRACTING FOR MANAGEMENT AND OPERATIONS  
WITH IRANIAN PORT AUTHORITY OR PRIVATE ENTITY FOR DAY-TO-DAY  
OPERATIONS. ON JUNE 20, 1972 BANK OMRAN ADVISED CCC THAT IRANIAN

AUTHORITIES HAD FINALLY AGREED THAT PORTS AND SHIPPING ORGANIZATION  
RATHER THAN MIN AG PRODUCTS AND CONSUMER GOODS/GRAIN BOARD WOULD  
PREPARE DETAILED PROJECT FOR SUBMISSION WITHIN FOUR MONTHS  
TO ADFI AND CCC AND SUBSEQUENTLY CONCLUDING ADFI LOAN AGREEMENT  
WITH OMRAN ON BASIS PLAN ORG REPAYMENT GUARANTEE. IN AUG 1972  
CCC WAS FURNISHED COPY TRANSLATION SUMMARY BANDAR SHAHPOUR PORT  
ELEVATOR PROPOSAL APPARENTLY PREPARED BY PLAN ORG WHICH INDICATED  
QUESTION PNEUMATIC VERSUS OTHER TYPE DISCHARGE SYSTEM STILL  
OPEN AND TO BE EVALUATED. CCC APPROVAL IN PRINCIPLE PROPOSED  
LOAN MAXIMUM \$8 MILLION PTA 10 PROJECT FUNDS FOR BANDAR SHAHPOUR  
GRAIN ELEVATOR, CONTAINED CCC VP LTR SEPT 7, 1972, WAS BASED ON  
ABOVE-MENTIONED UNDERSTANDING RE OMRAN HAVING SUBSTANTIVE RES-  
PONSIBILITY AND GENERALLY APPLICABLE REQUIRE  
E E E E E E E

## Message Attributes

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